

ESTABLISHMENT AND ENHANCEMENT OF COMPETITIVE SYSTEMS AIMED AT TOURISM QUALITY



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COMPETITIVENESS FACTORS AT COUNTRY/DESTINATION AND ENTERPRISE LEVEL

Prof. Dr. Raymond Saner
Director, Centre for Socio-Economic
Development
Geneva, Switzerland



Presentation Objectives



- To discuss the current competitiveness of the Algerian tourism industry
- To provide an overview of key concepts used to define competitiveness of countries and enterprises;
- To list recommendations to strengthen competitiveness of Algeria's tourism industry.



Tourism Characteristics



- World's largest industry
 - Tourism represents the largest portion of international trade in services, accounting for roughly US\$743 billion (2004 estimates);
- Highly labour-intensive
 - Direct labour and intermediate providers
- Includes many other service sectors
 - E.g. information and communication services
- Highly infrastructure dependent
 - E.g. roads, water, sewage, electricity etc.
- Consumption abroad, i.e. consumer comes to the supplier



The 2006 Travel & Tourism Research

(Source: WTTC Accenture)



WTTC LEAGUE TABLE EXTRACT
Travel & Tourism Economy GDP
(2006, % of Total GDP)

25 Cyprus	23.3
34 Tunisia	18.1
35 Morocco	17.9
36 Spain	17.8
48 Greece	15.1
50 Egypt	15.0
63 Turkey	13.5
77 Italy	10.8
120 Senegal	7.9
138 Algeria	6.8

WTTC LEAGUE TABLE EXTRACT
Travel & Tourism Economy Employment
(2006, % of Total Employment)

20 Cyprus	29.7
32 Spain	19.1
40 Tunisia	17.0
44 Greece	15.9
48 Morocco	15.5
61 Egypt	12.6
65 Italy	11.9
110 Turkey	7.8
130 Senegal	6.5
139 Algeria	5.9

WTTC LEAGUE TABLE EXTRACT
Travel & Tourism Visitor Exports
(2006, % of Total Exports)

25 Greece	35.1
28 Cyprus	33.4
32 Morocco	31.3
50 Turkey	20.2
52 Egypt	20.2
58 Senegal	17.6
59 Tunisia	17.5
63 Spain	17.0
90 Italy	8.6
169 Algeria	0.7



Key challenges for more sustainable tourism



- Managing dynamic growth
- Climate change
- Poverty alleviation
- Support for conservation
- Health, safety and security



The Growth Competitiveness Index of the World Economic Forum, Geneva



- The World Economic Forum has been measuring national competitiveness over two decades.
- The *Growth Competitiveness Index* is composed of three component indexes:
 1. the technology index
 2. the public institutions index
 3. the macroeconomic environment index.



The Growth Competitiveness Index

(source: WEF, 2005)



	GCI 2003 rank (Total=101)	GCI 2004 score (1-7)	GCI 2004 rank (Total= 104)	GCI 2005 score (1-7)	GCI 2005 rank (Total=117)	Changes 2004- 2005
Algeria	74	3.67	71	3.46	78	-7
Egypt	58	3.88	62	3.96	53	9
Morocco	61	4.06	56	3.49	76	-20
Tunisia	38	4.51	42	4.32	40	2



The WTTC's Competitiveness Monitor



- **The World Travel & Tourism Council's Competitiveness Monitor is based on a set of social and economic data that are available and comparable across all countries. The data is compiled using a series of indexes which form eight indices which are recalibrated to allow across the board comparisons. These are:**

- » **Price Competitiveness**
- » **Human Tourism**
- » **Infrastructure**
- » **Environment**

- » **Technology**
- » **Human Resources**
- » **Openness**
- » **Social**



Regional Comparisons (WTTC 2006)



	Algeria's Index Value*	Algeria's Ranking	Egypt's Ranking	Morocco's Ranking	Tunisia's Ranking
Price Competitiveness	49	67	24	48	15
Human Tourism	18	68	29	31	33
Infrastructure	46	80	61	85	
Environment	47	97	55	65	21
Technology	26	133	127	98	119
Human Resources	26	127	136	143	114
Openness	35	118	108	142	64
Social	38	121	110	124	103

The Results by Country table uses a 'traffic light' system to indicate the relative positions, rather than the absolute performance of different countries. Green, amber and red lights indicate respectively, above average, average and below average performance.

*Index Value (Least Competitive is 0.0; Most Competitive is 100.0)

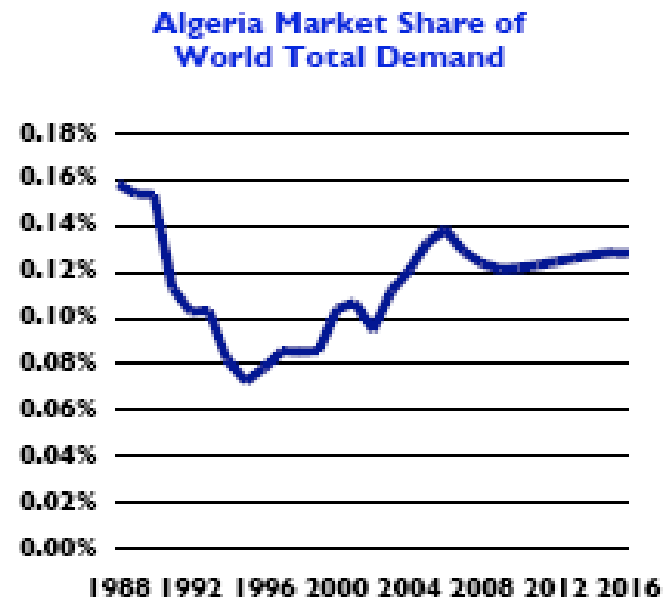
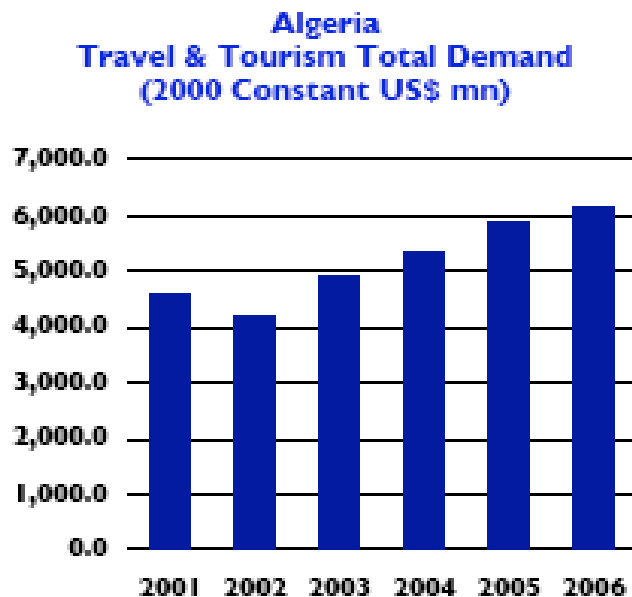
**Ranking(Most Competitive is Number 1; Least Competitive is Number 212)

The 2006 Travel & Tourism Research (WTTC-Accenture)



1. Total Demand

Algeria Travel & Tourism is expected to generate DZD668.4 bn (US\$8,953.9 mn) of economic activity (Total Demand) in 2006, growing (nominal terms) to DZD1,513.3 bn (US\$15,495.9 mn) by 2016. Total Demand is expected to grow by 4.0% in 2006 and by 5.5% per annum, in real terms, between 2007 and 2016. 2006 Total Demand represents 0.1% of world market share.



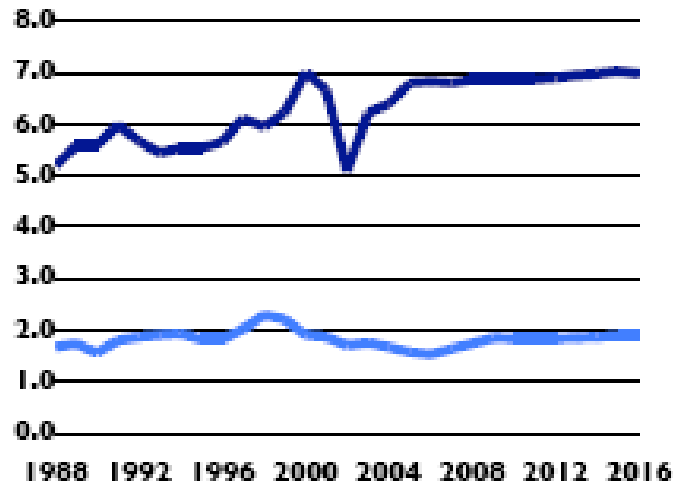
The 2006 Travel & Tourism Research (WTTC-Accenture)



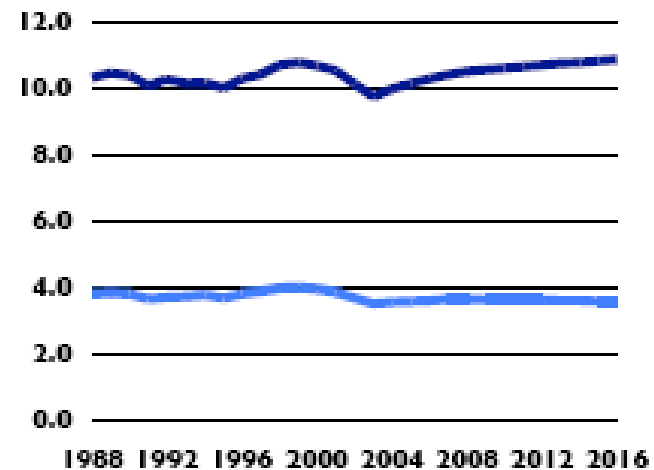
2. Gross Domestic Product (GDP)

Algeria's T&T Industry is expected to contribute 1.5% to Gross Domestic Product (GDP) in 2006 (DZD118.0 bn or US\$1,581.3 mn), rising in nominal terms to DZD307.6 bn or US\$3,149.7 mn (1.9% of total) by 2016. The T&T Economy contribution (percent of total) should rise from 6.8% (DZD529.6 bn or US\$7,094.7 mn) to 7.0% (DZD1,134.8 bn or US\$11,620.6 mn) in this same period.

Algeria
Travel & Tourism Gross Domestic Product
(% of Total GDP)



World
Travel & Tourism Gross Domestic Product
(% of Total GDP)



Light Blue Line is T&T Industry GDP, Dark Blue Line is T&T Economy GDP

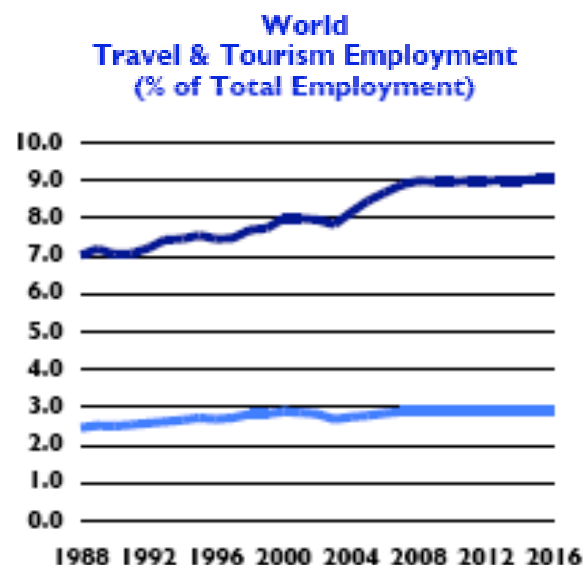
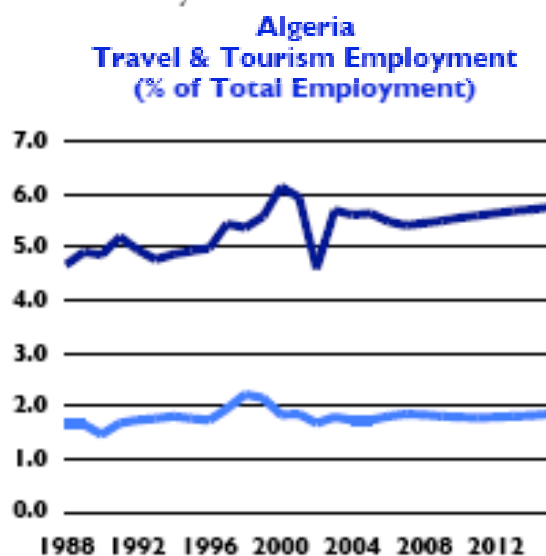
The 2006 Travel & Tourism Research

(source: WTTC-Accenture)



3. Employment

Algeria T&T Economy employment is estimated at 496,000 jobs in 2006, 5.9% of total employment, or 1 in every 16.9 jobs. By 2016, this should total 679,000 jobs, 6.1% of total employment or 1 in every 16.4 jobs. The 121,000 T&T Industry jobs account for 1.4% of total employment in 2006 and are forecast to total 200,000 jobs or 1.8% of the total by 2016.



Light Blue Line is T&T Industry Jobs; Dark Blue is T&T Economy Jobs



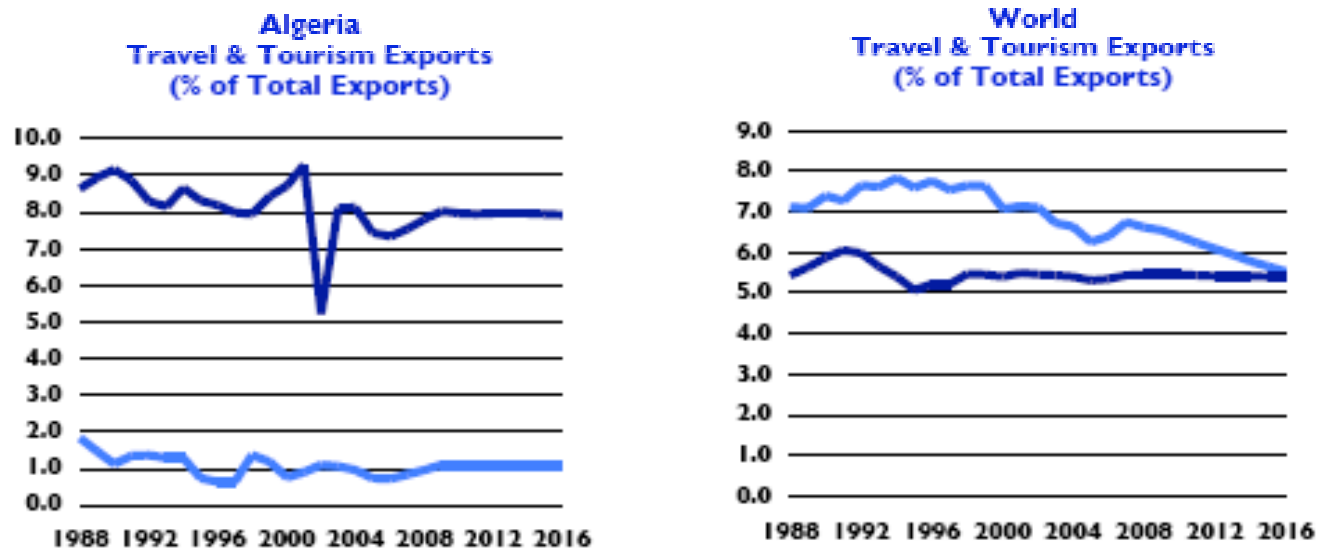
The 2006 Travel & Tourism Research

(Source: WTTC-Accenture)



4. Visitor Exports

Visitor Exports play an important development role for the resident Travel & Tourism Economy. Algeria Travel & Tourism is expected to generate 8.0% of total exports (DZD345.4 bn or US\$4,627.3 mn) in 2006, growing (nominal terms) to DZD671.2 bn or US\$6,873.1 mn (9.0% of total) in 2016.



Light Blue Line is Visitor Exports; Dark Blue Line is Other Exports



Michael Porter's Study of Regional Competitiveness and Prosperity (1992)



- Examples of regions studied :
 - Northern Italy (Lombardy)
 - Northwestern Switzerland (Basle)
 - Southwestern Germany (Baden-Württemberg)
 - Rhône-Alpes (Grenoble)
 - US East Coast (Boston)



Sources of Rising Prosperity

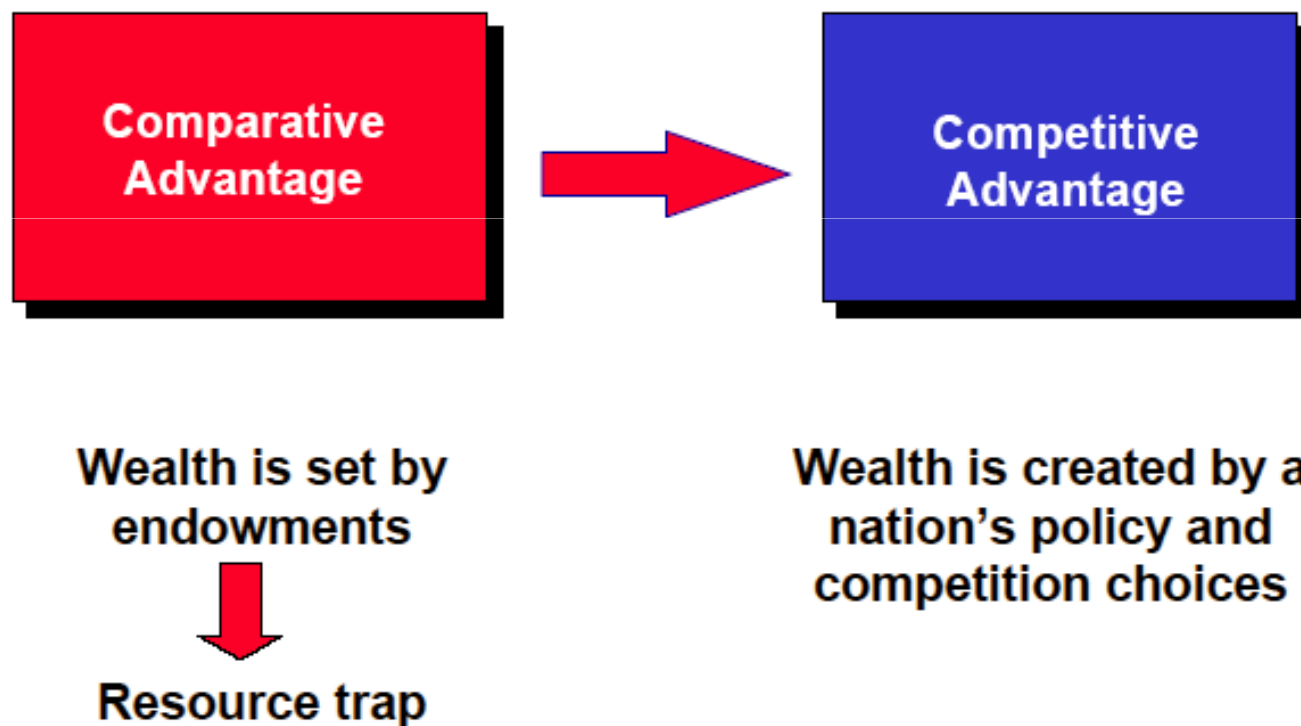
(Source: M. Porter, 2001)



- A nation's standard of living (wealth) is determined by the **productivity** with which it uses its human, capital, and natural resources. The appropriate definition of competitiveness is productivity.
 - Productivity depends both on the **value** of products and services (e.g. uniqueness, quality) as well as the **efficiency** with which they are produced.
 - It is not **what** industries a nation competes in that matters for prosperity, but **how** firms compete in those industries



Changing Sources of Prosperity



Determinants of Productivity and Productivity Growth



Macroeconomic, Political, and Legal Context for Development

Microeconomic Foundations of Development

Sophistication
of Company
Operations and
Strategy

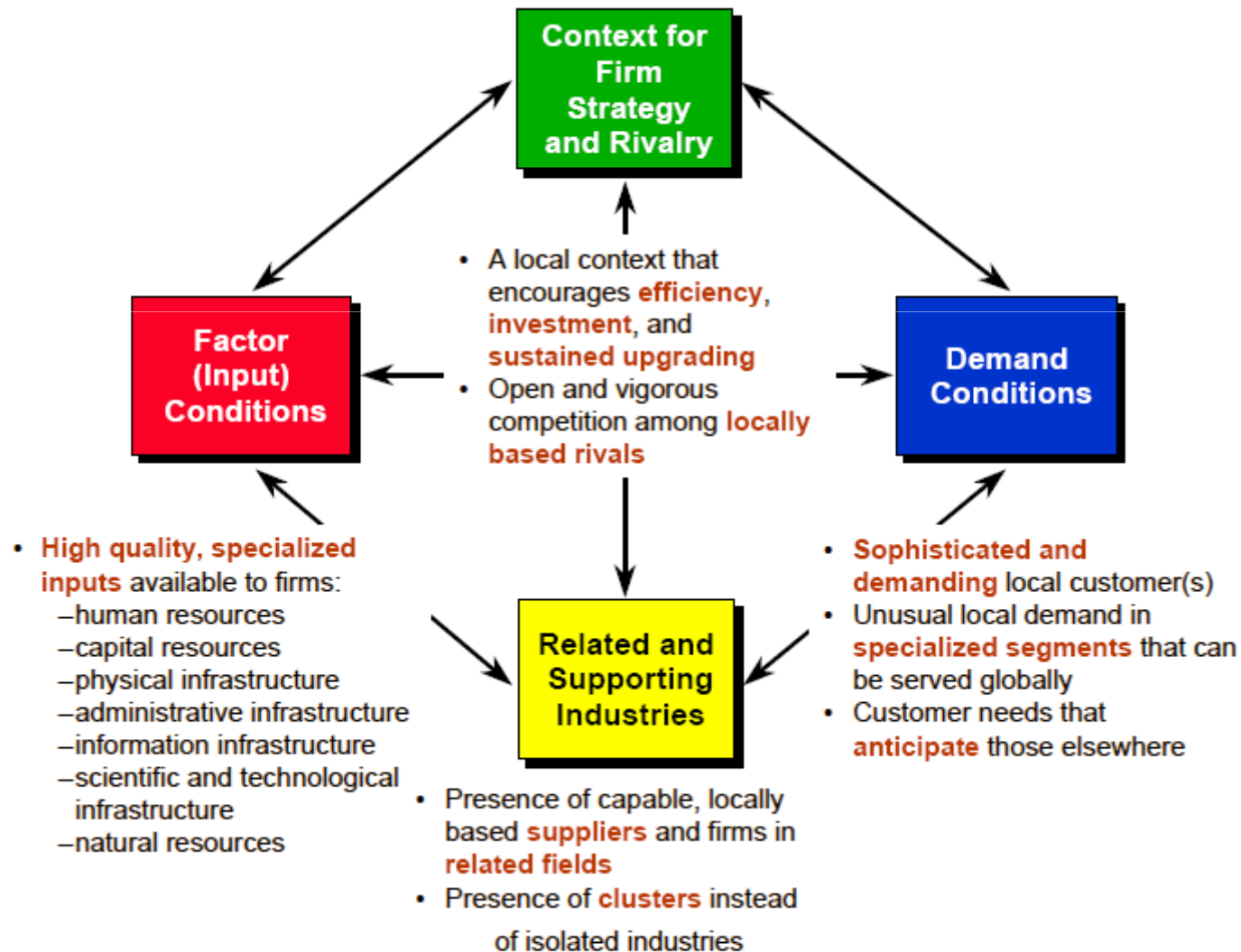


Quality of the
Microeconomic
Business
Environment

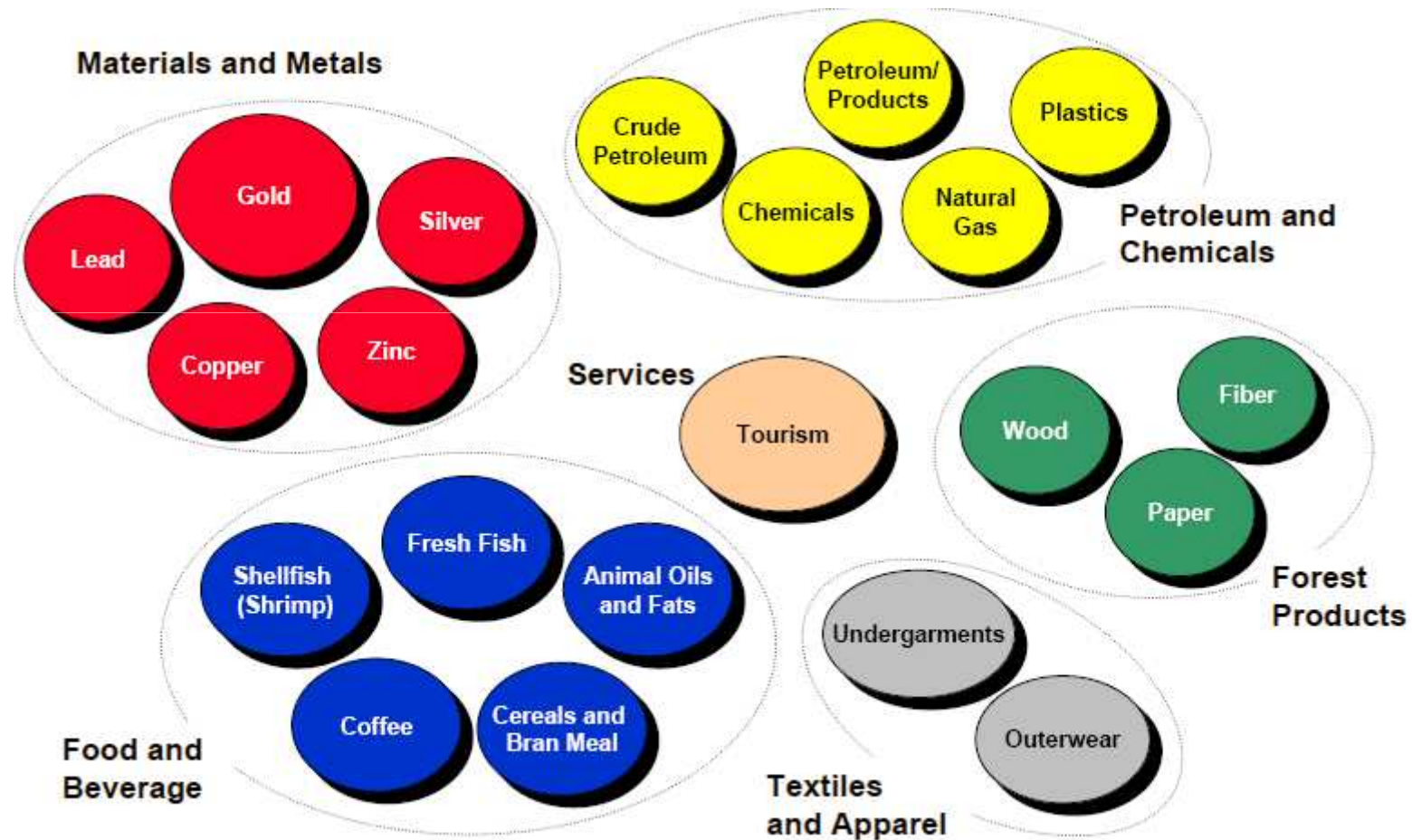
- Sound macroeconomic policies and a stable political / legal context are **necessary** to ensure a prosperous economy, **but not sufficient**
- Competitiveness ultimately depends on improving the **microeconomic foundations** of competition



Productivity and the Microeconomic Business Environment



Clusters in Andean Countries (e.g. Peru)



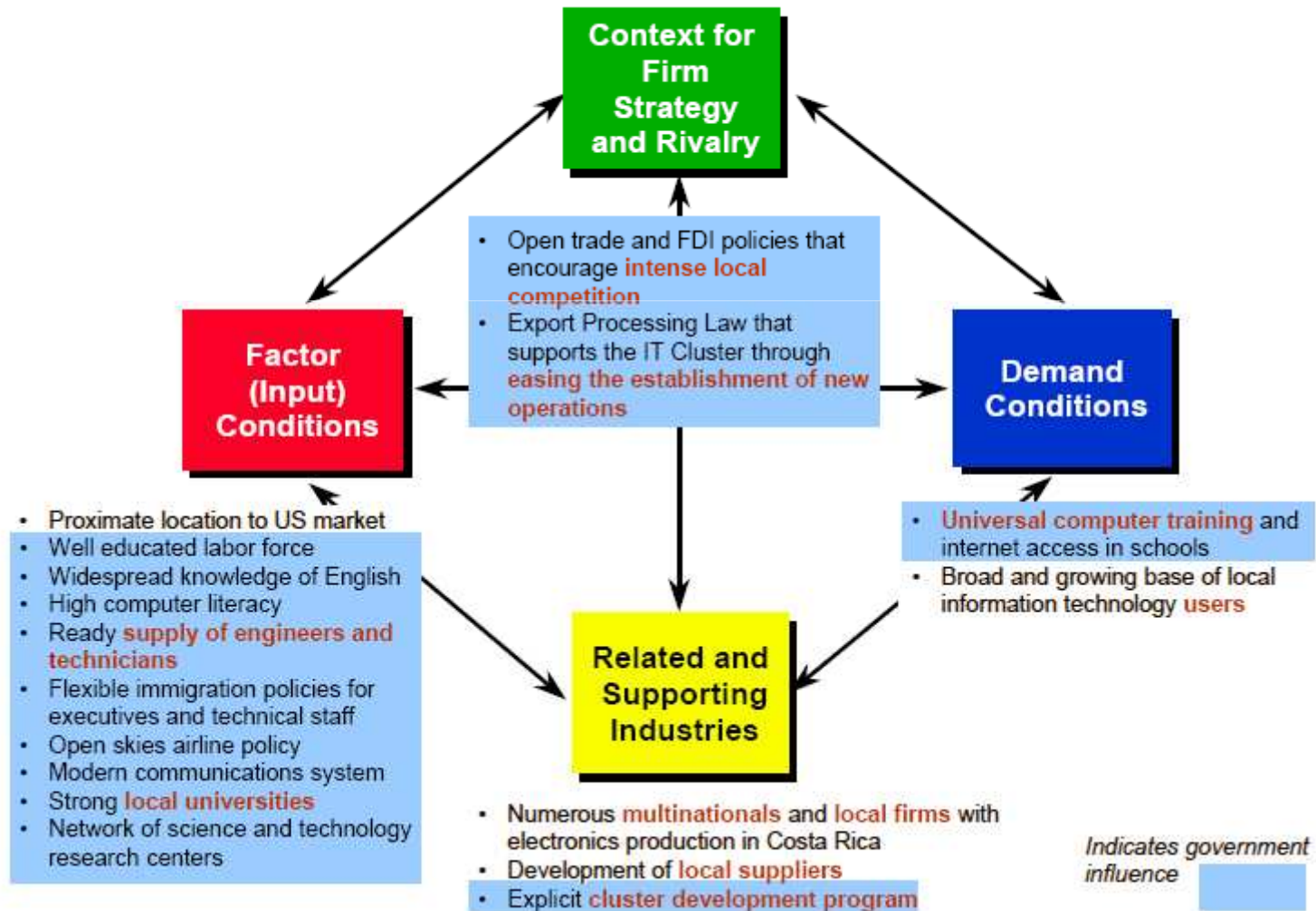
Source: Institute for Strategy and Competitiveness, Harvard Business School.

Appropriate Roles of Government in Cluster Development

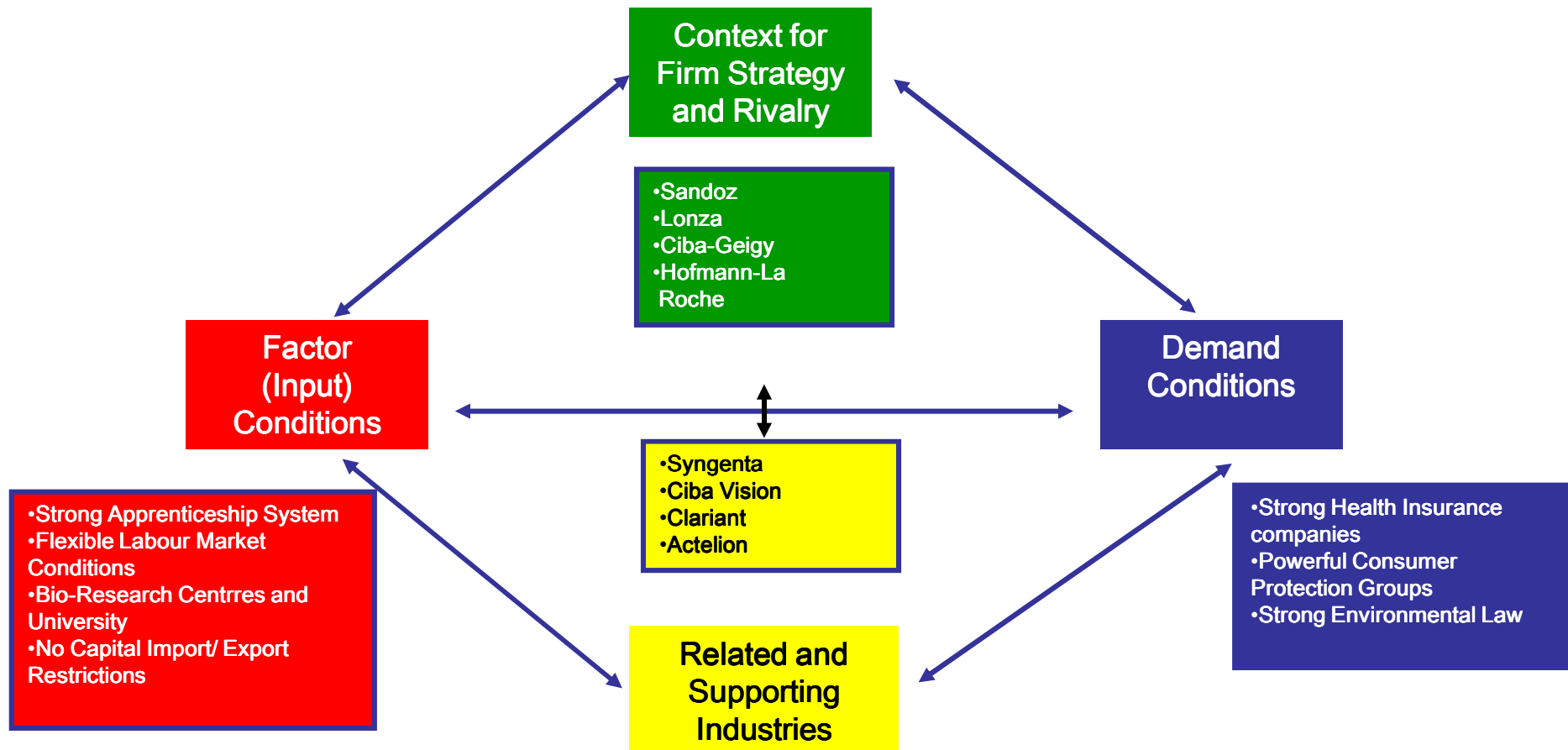


1. Establish a **stable and predictable** macroeconomic, political, and legal environment
2. Improve the availability, quality, and efficiency of **general purpose inputs, infrastructure, and institutions**
3. Set overall **rules and incentives** governing competition that encourage productivity growth
4. Facilitate **cluster development and upgrading**
5. Create an explicit, ongoing **process of economic change** and competitive upgrading which informs citizens and mobilizes the private sector, government at all levels, educational and other institutions, and civil society.

The Basle Life Science/Pharma/Chemistry Cluster



The Basle Life Science/Pharma/Chemistry Cluster



Factors with the most decisive influence on comparative advantages of a region with a future

(Ch. Koellreuter, BAK, 1997)



Ranking

Factors

- 1** Availability of highly skilled labour
- 2** Price/performance of h. skilled labour
- 3** Permits (legislation, processing)
- 4** Corporate tax system
- 5** Price/performance of skilled labour
- 6** Availability of skilled labour
- 7** Work permits of transnational labour



Factors with the most decisive influence on comparative advantages of a region with a future (BAK survey, 1997)



Ranking

Factors

- 8** Telecommunication
- 9** Quality of life
- 10** Access to EEA (EU) market
- 10** Working Hours
- 10** Predictability of the politico-legal environment
-
- 25** Price/performance of unskilled labour



Integrating Economic and Social Policy

(source: M. Porter, 2001)



- In the new thinking on competitiveness, there is **no inherent conflict** between economic and social policy

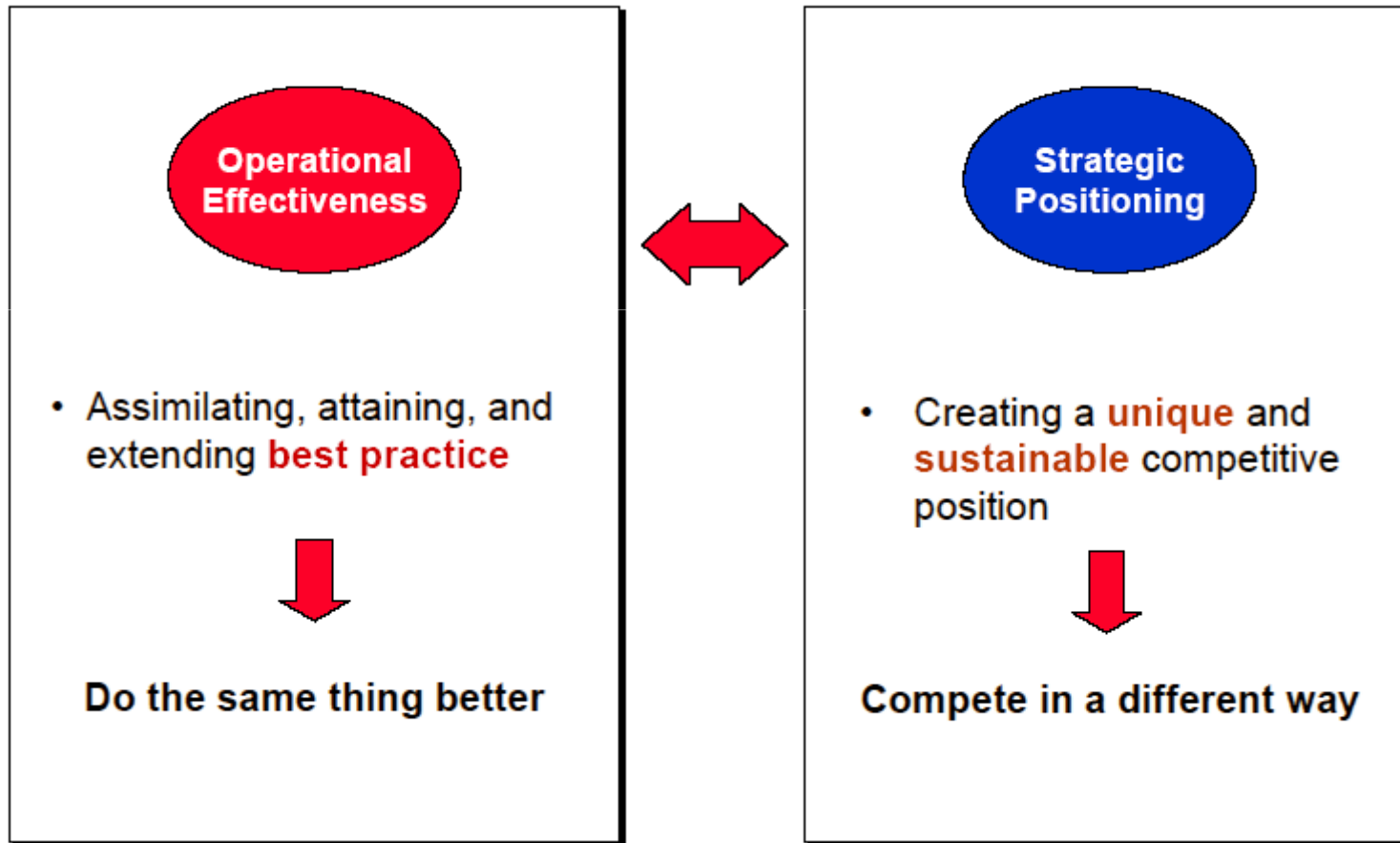
Economic
Policy

Social
Policy

- A **productive and growing economy** requires:
 - Rising skill levels
 - Safe working conditions
 - Healthy workers who live in decent housing in safe neighborhoods
 - A sense of equal opportunity
 - Assimilation of underemployed citizens into the productive workforce
 - Low levels of pollution (pollution is a sign of unproductive use of physical resources)
- “Social” policies must be **aligned with productivity** in the economy and prepare and motivate citizens to **succeed in the market system**
- “Economic” policies must include explicit programs to **raise human capability** and improve the lives and the **sense of opportunity** for citizens



Company Operations and Strategy



Illustrative Policy Levers

(source: M. Porter, 2001)



Factor (Input) Conditions

- Improve regional transportation infrastructure
- Create an efficient energy network
- Upgrade/link regional communications
- Upgrade/link financial markets
- Upgrade higher education through facilitating specialization and student exchanges
- Expand cross-border business and financial information access and sharing
- Coordinate activities to ensure personal safety

Context for Strategy and Rivalry

- Coordinate macroeconomic policies
- Eliminate trade and investment barriers within the region
- Simplify cross-border regulations and paperwork
- Guarantee minimum basic investor protections
- Agree on foreign investment promotion guidelines to limit forms of investment promotion that do not enhance productivity
- Coordinated competition policy

Demand Conditions

- Set minimum environmental standards
- Set minimum safety standards
- Establish reciprocal consumer protection laws

Related and Supporting Industries

- Establish ongoing upgrading process in clusters that cross national borders, e.g.
 - Tourism
 - Agribusiness
 - Textiles and Apparel
 - Information Technology

Regional Governance

- Share best practices in government operations
- Improve regional institutions
 - Regional development bank
 - Dispute resolution mechanisms
 - Policy coordination body
- Develop a regional marketing strategy



Acknowledgements



- Photo credit



**Tassili, paintings on the
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Thank You!

